

GILLESPIE FIELD DEVELOPMENT COUNCIL

April 20, 2004

AGENDA ITEM # 9

CARPENTER SPECIAL PRODUCTS CORPORATION NEW INDUSTRIAL LEASE

BACKGROUND

Carpenter Technology Corporation a.k.a. Carpenter Special Products Corporation (CSPS) has been occupying their premises at Gillespie Field since May 1, 1954. CSPC provides the fabricated metal market with primary products ranging from small diameter round stainless steel control rod claddings to large square zircaloy fuel channels, aerospace tubing for use in commercial and military aircraft, precision shaped bar, tubing, and airfoil for use in aerospace, defense, medical and consumer products, and soft magnetic alloy sheet material used primarily for computer tape drive magnetic pick-up heads. Currently, CSPC has 123 permanent employees and up to 30 temporary employees.

The issue of a new lease was discussed at the Gillespie Field Development Council's February 20, 2001 meeting. It was determined that it was appropriate to enter into the sole source negotiations with CSPC for a new industrial lease.

PROPOSAL

Proposed New Lease for Carpenter Special Products Corporation. (Currently Contract No 01930R).

Term – The initial term of this Lease will be eight (8) years commencing on May 1, 2004 and terminating April 30, 2012. In addition, CSPC will have six (6) options to extend the term. Each renewal option is exercisable by a written notice provided by CSPC one year prior to the end of each term. Maximum term, including all options is 55 years, which is standard for Airports industrial leases.

Rental – The rent will be \$18,565.93 per month, which is comparable to the current fair market rent for this area. It will be phased in two years at 80% in the first year and 90% in the second year. At the end of the third year and thereafter, the rent is subject to annual cost of living adjustments. The rent is also subject to periodic rental rate renegotiations every five years.

New Lease Form - The new lease will be based on the County's standard lease form, which includes all the current updated language approved by County Counsel.

RECOMMENDATION

Staff recommends that the Council adopt the following motion with respect to the proposed transactions.

MOTION – “It is recommended that the Board of Supervisors approve the proposed new Lease with Carpenter Special Products Corporation, as recommended by staff.”